GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1374
ANSWERED ON:02.03.2001
EXPERT COMMITTEE SUGGESTIONS FOR IFCI
NARESH KUMAR PUGLIA

Will the Minister of FINANCE be pleased to state:

(a) whether the Expert Committee on the restructuring plan and future strategyof IFCI has suggested that IFCI should not enter into retail finance market for the present;

(b) if so, the details thereof;

(c) the other suggestion made by the Committee;

(d) whether there is also a suggestion that IFCI should associate itself with institutions like ADB and IFC, Washington; and

(e) if so, the steps taken or being taken by Government to implement the suggestion made by the expert committee?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL)

(a) & (b): The Expert Committee on the restructuring of IFCI is of the view that IFCI need not enter the retail financeial market for the present as it neither has the experience in this field nor does it have the marketing orientation that retail business requires. IFCI`s best chance is to rebuild the business in which it had experience and for which it still has wide ranging relationship with several corporate customers.

(c) The Committee inter alia, suggested that :

(i) IFCI should be transformed into a fully licensed Term Credit Bank over a period of time.

(ii) Reduce the proportion of project finance and diversify into post project and short-term financing business as well as enter fee-based services.

(iii) IFCI should setout an appropriate loan and exposure policy by developing new products and services.

(iv) IFCI should have a Corporate Recovery Plan to reduce current NPAs by at least Rs 500 crores per year.

(d) The Committee also felt that IFCI might be best to seek strategic partnership with another institution in similar business.The Committee suggested consideration of introducing such a partner in association with an institution like IFC, Washington or the Asian Development Bank

(e) The suggestion would receive due consideration of the IFCI Aand the Government at the time of taking a decision on restructuring of IFCI.